

Message Text

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PAGE 01 MAPUTO 00055 131304Z
ACTION XMB-04

INFO OCT-01 AF-10 ISO-00 EB-08 /023 W
-----006215 131308Z /53
R 121433Z JAN 78
FM AMEMBASSY MAPUTO
TO SECSTATE WASHDC 6601

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E.O. 11652: N/A
TAGS: EFIN, MZ, XMB
SUBJECT: SALE OF FIAT-ALLIS EQUIPMENT; EXIMBANK REPAYMENT QUESTIONS

REF: STATE 2301

1. EMBASSY DOES NOT SHARE EXIMBANK CONCLUSION THAT IT WOULD BE DIFFICULT TO ESTABLISH A "REASONABLE ASSURANCE OF REPAYMENT" CONCERNING LOANS TO THE MOZAMBIQUE GOVERNMENT.

2. TO OUR KNOWLEDGE, THE GPRM HAS NOT DEFAULTED ON ANY FOREIGN DEBT CONTRACTED SINCE INDEPENDENCE. THE GOVERNMENT HAS STATED THAT IT WILL ENTER INTO ONLY THOSE LOAN ARRANGEMENTS WHICH IT IS CONFIDENT OF REPAYING. TO CARRY OUT THIS PLEDGE, MOZAMBIQUE HAS FOLLOWED A POLICY OF FISCAL AUSTERITY AND PROHIBITED NON-ESSENTIAL IMPORTS.

3. THE GPRM HAS BEEN EXCEEDINGLY CAUTIOUS IN MAKING PURCHASES WHICH ENTAIL FOREIGN DEBT. DECISIONS ON MAJOR PURCHASES, SUCH AS ROAD-BUILDING EQUIPMENT, ARE MADE AT VERY HIGH LEVELS AND INCLUDE PARTICIPATION OF THE CENTRAL BANK TO KEEP STRICT CONTROL OF FOREIGN EXCHANGE. THE MAIN REASON DETTA AIRLINES' PURCHASE OF TWO 707'S FROM THE U. S. WAS REFUSED A YEAR AGO WAS THE LONG-TERM DEBT THIS WOULD HAVE PRODUCED AND THE LOW PRIORITY GIVEN INTERCONTINENTAL AIR TRAVEL IN MOZAMBIQUE'S DEVELOPMENT.

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4. ROAD BUILDING HAS A HIGH PRIORITY IN THE DIRECTIVES OF THE THIRD FRELIMO PARTY CONGRESS OF FEBRUARY, 1977, AND THE DIRECCAO NACIONAL DE ESTRADAS (DNE) WOULD NOT HAVE BEEN AUTHORIZED TO MAKE A MAJOR PURCHASE OF FOREIGN EQUIPMENT WITHOUT DEFINITE PLANS FOR REPAYMENT, BASED ON THE BANK OF MOZAMBIQUE'S PROJECTED FOREIGN EXCHANGE RE-

SERVES.

5. SENIOR MOZAMBIQUE OFFICIALS WERE BRIEFED BY EXIMBANK DURING OCTOBER 1977 TRIP TO WASHINGTON. THEY ARE AWARE OF WHAT EXIMBANK IS AND THE IMPORTANT ROLE EXIMBANK CAN PLAY IN MOZAMBIKAN DEVELOPMENT, WE DO NOT BELIEVE THEY WOULD ENDANGER MOZAMBIQUE'S CREDITWORTHINESS BY DEFAULTING ON THE FIRST EXIMBANK- GUARANTEED LOAN SINCE INDEPENDENCE. DEPREE

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Disposition Approved on Date:
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